

Message Text

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ACTION AID-31

INFO OCT-01 EUR-25 ADP-00 L-03 IGA-02 INR-10 EB-11 RSR-01

HEW-08 OPIC-12 TRSE-00 OMB-01 CIAE-00 NSAE-00 RSC-01

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R 011207 Z JUN 73

FM AMEMBASSY BELGRADE

TO SECSTATE WASHDC 6337

INFO AMCONSUL ZAGREB

LIMITED OFFICIAL USE BELGRADE 2415

PASS AID/ NA

E. O. 11652: N/ A

TAGS: EAID, EFIN, YO

SUBJECT: USE OF US- OWNED SECTION 402 (MSA) FUNDS:

LETTER FROM SMOLE TO THE AMBASSADOR

REF: BELGRADE 1124

1. DEPARTMENT WILL RECALL THAT YUGOSLAVS HAVE PERIODICALLY RAISED QUESTION OF EVENTUAL USE OF 41,378,824 NEW DINARS IN US- OWNED SECTION 402 (MSA) FUNDS. PER REFTEL, FINANCE SECRETARIAT IN MARCH INDICATED READINESS TO SUBMIT PROPOSALS FOR USE OF THESE DINARS. REFTEL ALSO REQUESTED ANSWERS TO SEVERAL QUESTIONS ASKED US BY YUGOSLAVS. NO ANSWER HAS BEEN RECEIVED.

2. FINANCE SECRETARIAT (JELIC) ON MAY 30 HANDED TO ECONOMIC/ COMMERCIAL COUNSELOR LETTER FROM FINANCE SECRETARY SMOLE TO AMBASSADOR PROPOSING THAT THESE SECTION 402 (MSA) FUNDS BE USED FOR PARTIAL FUNDING EDUCATIONAL AND HEALTH FACILITIES IN TITOGRAĐ, SKOPJE AND ZAGREB.

3. LETTER OPENS BY REFERRING TO UNUSED 41,378,824.05 NEW
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DINARS REMAINING FROM \$25 MILLION AGREEMENT CONCLUDED MARCH 21, 1961 IN WASHINGTON BETWEEN GOY AND EXIM BANK. LETTER PROPOSES THAT THESE FUNDS BE USED FOR PARTIAL FUNDING OF TECHNICAL FACULTY, TITOGRAĐ (34,378,824.05) ND) KIRIL AND METODJI UNIVERSITY SKOPJE (5 MILLION ND) AND INSTITUTE FOR HEALTH ORGANIZATION AND ECONOMY ZAGREB (2 MILLION ND). SINCE FOREGOING PROJECTS IN FIELDS OF HEALTH AND EDUCATION AND MOSTLY LOCATED IN UNDEVELOPED REGIONS, LETTER PROPOSES THAT FUNDS BE USED PURSUANT TO SECTION 5(B) OF MARCH 21, 1961 AGREEMENT.

4. ON REPAYMENT TERMS, LETTER PROPOSES: A) THAT REPAYMENT BY GOY OF PRINCIPAL AND INTEREST BE MADE IN DINARS OR IN DOLLAR EQUIVALENT PER EXCHANGE RATE VALID IN YUGOSLAVIA ON DATE OF REPAYMENT; B) 73 SEMI- ANNUAL INSTALLMENTS REPAYABLE FOUR YEARS AFTER END OF MONTH IN WHICH FIRST LOAN DISBURSEMENT MADE; AND C) ANNUAL INTEREST RATE TO BE LESS THAN 3-1/2 PERCENT SPECIFIED IN MARCH 21, 1961 AGREEMENT.

5. SMOLE CLOSED LETTER WITH STATEMENT OF EXPECTATION THAT USG, " CONTINUING VERY USEFUL AND FRUITFUL COOPERATION" BETWEEN TWO COUNTRIES, WILL AGREE TO USE OF SECTION 402 (MSA) DINARS FOR FOREGOING PROJECTS AS WELL AS PROPOSED REPAYMENT CONDITIONS.

6. ENCLOSURES TO LETTER CONTAINING DATA ON PROPOSED PROJECTS BEING TRANSLATED AND WILL BE FORWARDED BY AIRGRAM. ALL THREE PROJECTS INVOLVE CONSTRUCTION.

7. EMBASSY REQUESTS THAT DEPARTMENT GIVE QUICKEST POSSIBLE CONSIDERATION TO SMOLE' S PROPOSAL AND ADVISE EMBASSY ON NATURE OF REPLY.
TOON

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*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

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